

**SECTION III – REPORTING**  
**CHAPTER 2 – SAMPLE OPINION REPORTS**

**Directives for Auditor’s Reports**

In July 1996 the Single Audit Act Amendments of 1996, P.L. 104-156 were signed into law and are effective for fiscal years beginning after June 30, 1996. U.S. Office of Management and Budget (USOMB) Circular A-133 Revised, Audits of States, Local Governments, and Non-Profit Organizations, issued June 24, 1997 and effective for fiscal years beginning after June 30, 1996, implements the 1996 Single Audit Act Amendments and rescinds USOMB Circular A-128. The State of New Jersey Office of Management and Budget (NJOMB) Circular Letter 98-07, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, establishes state policy and procedures for single audits and is effective for fiscal years beginning after June 30, 1996. NJOMB Circular Letter 98-07 supersedes Circular Letters 93-05-OMB and 97-08-OMB and requires recipient single audits to contain reports and opinions for State funds similar to those required for federal single audits.

On March 17, 1998, the AICPA issued SOP 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards to provide guidance on the auditor's responsibilities when conducting a single audit or program specific audit in accordance with the Single Audit Act Amendments of 1996 and USOMB Circular A-133. The SOP is applicable to audits of fiscal years beginning after June 30, 1996. SOP 98-3 is updated annually and can be found in the AICPA publication Audits of State and Local Governmental Units and includes illustrative reports and schedules for reporting under Government Auditing Standards and Circular A-133. This SOP supersedes SOP 92-9 and part VII, “Audits of Federal Financial Assistance,” of the AICPA Audit and Accounting Guide Audits of State and Local Governmental Units.

The auditor should reference SOP 98-3 for the appropriate reports to be issued based on the circumstances of the audit. Auditors may also reference the AICPA Audit and Accounting Guide Audits of State and Local Governmental Units, except part VII which was superseded by SOP 98-3, and the revised Government Auditing Standards (GAS) issued in June 1994 by the U.S. General Accounting Office for additional guidance.

**Component Units**

The Independent Auditor’s Report should be modified when the auditee is a component unit. Guidance from the AICPA is as follows: “The financial statements of a component unit should acknowledge that the component unit is a component unit of another government: for example, “We have audited the accompanying general purpose financial statements of Sample County School District, component unit of Sample County, as of and for the year ended June 30, 20X1”. In addition, the notes to the component unit’s financial statements should identify the primary government of the financial reporting entity and the component unit’s relationship to the primary government...” (Audits of State and Local Governmental Units, AICPA, 2001 edition, page 193, footnote 1). District staff and auditors should refer to the memorandum issued by the department on December 17, 2001 for further information on component units. Please note that the language of the footnote on component units refers to pre GASB 34 financial reporting.

**GASB 34 Model**

At the time this Audit Program was printed, the updated auditor opinion reports for basic financial statements prepared under GASB 34 were not yet available. Auditors should look for the AICPA Audit Guide Audits of State and Local Governmental Units that is expected to be available mid- summer, 2002. The sample reports in this Audit Program may not be applicable for GASB 34 financial statements.

The reports required in connection with an audit performed under the Single Audit Act of 1984, P.L. 98-502 as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and NJOMB Circular Letter 98-07 are listed below. References to SOP 98-3 illustrative audit reports are provided.

#### Example Source

	<u>Reference</u>
1. Unqualified Opinion on General-Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance	SOP 98-3 Example #1

#### **SINGLE AUDIT REPORTS**

2. Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> (No Reportable Instances of Noncompliance and No Material Weaknesses [No Reportable Conditions Identified])	SOP 98-3 Example #2
3. Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJOMB Circular Letter 98-07 (Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified])	SOP 98-3 Example #3
4. Schedule of Findings and Questioned Costs	SOP 98-3 Section II – Single Audit

Any recommendations referenced in the above opinions must be repeated in the "Recommendations" section of the Auditors' Management Report for the Board's consideration of all recommendations pursuant to *N.J.S.A.* 18A:23-3, 4 and 5.

The sample audit reports included herein are based on the assumption that no qualifications of opinion are required. The reports include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be deleted from the reports if no such findings apply. Auditors should reference SOP 98-3 for the appropriate language to be included if reportable conditions or material weaknesses are identified.

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR along with the Schedules of Expenditures of Federal Awards and State Financial Assistance, Notes to the Schedules of Expenditures of Awards, Schedule of Findings and Questioned Costs, and Summary Schedule of Prior Audit Findings.

**SAMPLE ONLY**  
***(SOP 98-3 Example 1)***

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS

**Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
\_\_\_\_\_, School District  
County of \_\_\_\_\_  
\_\_\_\_\_, New Jersey

We have audited the accompanying general purpose financial statements of the Board of Education of the \_\_\_\_\_ School District, in the County of \_\_\_\_\_, State of New Jersey, as of and for the fiscal year ended June 30, 20\_\_, as listed in the table of contents. These basic financial statements are the responsibility of the \_\_\_\_\_ Board of Education management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards **generally accepted in the United States of America**; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the \_\_\_\_\_ Board of Education, in the County of \_\_\_\_\_, State of New Jersey, as of June 30, 20\_\_, and the results of its operations and the cash flows of its proprietary fund types (and similar trust fund types) for the fiscal year then ended in conformity **with accounting principles generally accepted in the United States of America**.

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 20\_\_ on our consideration of the \_\_\_\_\_ Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the \_\_\_\_\_ Board of Education, in the County of \_\_\_\_\_, State of New Jersey, taken as a whole. The accompanying Schedules of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 98-07, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the general purpose financial statements. Additionally, the combining and individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The information included in this comprehensive annual financial report, designated as the *Statistical Section* in the table of contents, is presented for the purpose of additional analysis. This information has not been audited by us, and accordingly, we express no opinion on this information.

\_\_\_\_\_  
Licensed Public School Accountant  
No. \_\_\_\_\_  
Firm Name

Date

**SAMPLE ONLY**  
*(AICPA Example 2)*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**(No reportable instances of noncompliance and no material  
weaknesses[no reportable conditions identified])**

The Honorable President and  
Members of the Board of Education  
\_\_\_\_ School District  
County of \_\_\_\_\_  
\_\_\_\_\_, New Jersey

We have audited the general purpose financial statements of the Board of Education of the \_\_\_\_\_ School District, in the County of \_\_\_\_\_, State of New Jersey, as of and for the fiscal year ended June 30, 20\_\_, and have issued our report thereon dated \_\_\_\_\_, 20\_\_. **(If qualified explain departure)** We conducted our audit in accordance with **auditing standards generally accepted in the United States of America**; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Compliance**

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ Board of Education's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey (However, we noted certain immaterial instances of noncompliance that we have reported to the Board of Education of the \_\_\_\_\_ School District in the separate *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated \_\_\_\_\_, 20\_\_.)

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the \_\_\_\_\_ Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted certain matters involving internal control that we have reported to the Board of Education of the \_\_\_\_\_ School District in a separate *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated \_\_\_\_\_, 20\_\_.)

This report is intended solely for the information and use of the audit committee, management, the \_\_\_\_\_ Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant

No. \_\_\_\_\_

Firm Name \_\_\_\_\_

Date \_\_\_\_\_

**SAMPLE ONLY**  
*(SOP 98-3 Example 3)*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 98-07**

**(Unqualified opinion on compliance and no material  
weaknesses [no reportable conditions identified])**

The Honorable President and  
Members of the Board of Education  
\_\_\_\_\_ School District  
County of \_\_\_\_\_  
\_\_\_\_\_, New Jersey

**Compliance**

We have audited the compliance of the Board of Education of the \_\_\_\_\_ School District, in the County of \_\_\_\_\_, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20\_\_\_. \_\_\_\_\_ Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the \_\_\_\_\_ Board of Education's management. Our responsibility is to express an opinion on the \_\_\_\_\_ Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with **auditing standards generally accepted in the United States of America**; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 98-07, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 98-07, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the \_\_\_\_\_ Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of \_\_\_\_\_ Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the \_\_\_\_\_ School District, in the County of \_\_\_\_\_, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20\_\_\_. (However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 98-07, and which are described in the accompanying schedule of findings and questioned costs as items (*List related finding reference number, i.e. #\_00-1, 00-2, etc.*))[*Omit the last sentence if no such instances of noncompliance are identified in the schedule of findings and questioned costs*].

### Internal Control Over Compliance

The management of the Board of Education of the \_\_\_\_\_ School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered \_\_\_\_\_ Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 98-07.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the \_\_\_\_\_ Board of Education, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant  
No. \_\_\_\_\_  
Firm Name \_\_\_\_\_

Date \_\_\_\_\_

**NOTE TO PREPARER: WHEN A FEDERAL SINGLE AUDIT IS NOT REQUIRED -- DO NOT  
REFERENCE FEDERAL PROGRAMS. WHEN A STATE SINGLE AUDIT IS NOT REQUIRED  
-- DO NOT REFERENCE NJOMB CIRCULAR LETTER 98-07 AND STATE PROGRAMS.**